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FIVE LAND REFORMS IN CROATIA (YUGOSLAVIA) 1755-1953.

After the second world war we witnessed all over the world a tremendous urge of peasant populations asking for the land they tilled to be theirs. Perhaps it is not uninteresting to bring forward the experience of a small country which in the course of the last 200 years has witnessed five land reforms. They might be interesting also because all these five land reforms were not events of local significance only, but were in close connection with movements which deeply marked the world's social and economic history.

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The first land reform took place in Croatia from 1755-1780 with the aim of preventing from happening what happened in France during the Great French revolution nine years later (1789).

The second land reform took place in 1848, in the middle of another revolution in the world history, liquidating feudalism in Croatia.

The third land reform, after 1918 had similar causes in Croatia which in Russia gave birth to the revolution of 1917, and all over Eastern Europe shook the land owner's grip over the land tiller.

The fourth land reform of 1945, with which the fifth of 1953 is connected, came after the Second world war in which the Liberation movement was meant to include also the liberation of land from those who did not work it.

These five land reforms, stretched over 200 years, contain certain elements of similarity to various land reforms that are happening or have happened recently in the wide world of today. Take for example the first reform of the 18th century: it has certain similarities with what is happening today in some countries of Latin America, and in some African countries. The second reform, of the 19th century, has some

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resemblance to what is now going on in India, Japan and other countries of the Far East, partly too in China, where semi-feudal rent are being abolished. The third land reform, of 1918, reminds us of what is happening now in Egypt, partly in Italy and Western Germany, and to some extent in Eastern Germany. The fourth land reform, of 1946, has of course its similarities in the countries of Eastern Europe, China etc. The fifth land reform has brought us to the final stage of such measure of agricultural policy.

So when looking from this angle at the land reforms in Croatia we may find, extended over two centuries of historical time, what we can observe now, squeezed in space into a few years of present history.

I. THE FIRST LAND REFORM 1755-80

At the beginning of the 18th century we find Croatia recovering from the prolonged liberation wars lead by the Austrian emperors against the Turks, with great parts of Croatia having been freed from the Turkish Empire at the end of the 17th century. A large Cordon Militaire organized along the frontier against the Turkish Empire was at the same time a Cordon Sanitaire where strict sanitary regulations prevented Oriental diseases and plagues from spreading easily over Croatia. Roads were built connecting navigable rivers and the sea. In agriculture great things occurred. New plants from America, maize (the Turkish grain), tobacco, and later potatoes enriched agriculture. I single out maize which in the course of the first half of the 18th century became the chief staple food for both peasants and their livestock, but which required about 50% more work than other grains. This had a great effect on the division of labour within the peasant family (women had to work in fields). The derelict lands on the Croatian-Turkish borderline were resettled, and

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the extensive semi-nomadic cattle breeders were forced to settle in large villages along the main roads, thus becoming land tillers. The population began to increase; there were more hands to work, and more mouths to be fed. The Croatian nobility and clergy changed their way of life. Landlords' absenteeism spread fast, and the former gallant warriors spent their income, derived from the rent paid by Croatian peasants in Vienna and Paris. In such circumstances the pressure of the nobility to exact more produce from the peasant serfs and trade it to get more money was the obvious consequence. This meant increasing the dues and services of the serfs. The increased burden created great discontent among the peasants in Croatia and this culminated in a Peasant Revolt in the Croatian Highlands (Kalniki) in 1755. 20,000 peasants took part in the revolt which was cruelly crushed by the last feudal army called up by the Croatian nobility.

The cruelty exercised by this feudal army as well as the fear of having similar peasant revolts spreading more and more, led to strong intervention by the Viennese Empress Maria Theresia. She had already started some cautious financial reforms in her Succession lands, (Austria), in which land-tax reform was suppressed by tax-exemption for the nobility and clergy (Sistemalpatent 1748). This slow going process was suddenly speeded up by the events in Croatia. The land reform which was prolonged from 1755-1780, ended in the issuing of land-laws in 1756 for Slavonia, and in 1780 for Upper Croatia. These agrarian laws, called "Urbariums", replaced all former "urbariums", which were some sort of collective contracts between landlords and their serf community. Maria Theresia's Urbarium was unilateral regulation containing rules as to what the serfs must deliver to the landlord in the way of dues and services, as well as what the noble landlords must not exact from them. It put the State (public)

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authorities between the feudal landlords and the peasant serfs. The most difficult burdens of the peasants specified in written urbariums were: two week days of unpaid labour, or one day per week with a team of oxen per one session (full family holding) other services such as hunting for the landlord, forest felling, wood cutting, cartage, /etc. All work in excess of that had to be paid in cash, and wages were fixed by law. At the request of the Austrian textile manufacturers the landlords were prohibited from exacting any spinning, weaving or other textile services from the Croatian peasants, in order not to spoil the market for Austrian industries. The dues, besides the "dicima" (tithe) paid to the church, included a ninth part of the whole harvest for the landlord as rent in kind, and the payment of one gulden per "sessio" per year in cash. The main effect of this reform was that goods and services were fixed by the state authorities and given exact measure so that the arbitrariness of the lords of the manor was put under some control. The peasants were given the right to sue their lords at the courts, which although composed entirely of feudal lords, represented in a way some protection.

One of the main tasks of the reform was to help the shattered finance of the Hapsburg monarchy. Therefore the land was strictly divided into the "allodium", i.e. that part of the land which was managed by the feudal lords who paid no taxes, and the "urbarial" lands, consisting of peasant holdings which paid taxes to the state. For this purpose the interest of the Crown went hand in hand with that of the peasants. Not strong enough to abolish the privilege of tax-exemption of the nobility and the clergy, the Empress wanted to increase and secure that part of the land that did pay taxes.

This policy of compromise was also aimed at enabling the peasant to be at the same time a good tax payer and to give the serf's dues and

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services to the landlord. For this purpose a certain redistribution of land took place. Land was first surveyed and a census of very complete details were taken of each household: members of the family of working age, labour force, land, livestock and other inventory. A standard size of one peasant holding (sessio) was adopted amounting to as much land as it was adequate for one peasant family to live, and to pay taxes and give dues and services to the landlord. This size was established, under a three field system of cultivation according to the quality of the land, on an average 27 acres of arable land (10.8 hectares) and 7 acres of meadow (2.9 ha) in Upper Croatia, and 45 acres of arable land (18 ha) and 14 acres of meadow (4.8 ha) in Slavonia. It was stated in the land-law that holdings ought to be full size, or one half, one quarter or one eighth of full size, and the dues and services were prescribed prorata. For this purpose all peasant holdings were adjusted to this measurement. If they actually had more land than the nearest of the above mentioned sizes it was taken away from them and given to those who needed land to complete the size of their holdings. If such land was not available, then first of all land from extirpated forest or vacant land were distributed or in the last resort, parts of the allodial land of the landlord was taken away and given to the tax contributing peasant. In this way the regulation of holdings was achieved. No holding was allowed to be less than one eighth of the standard full size, i.e. average of 27 acres of arable land. Peasants with less land than that, the so-called "inquilini" (cottagers) and "sub-inquilini" (sub-cottagers), who had just a cottage and less than one eighth of the "Sessio" had much smaller feudal rent to pay, and only 12-18 days of work a year to work unpaid for the landlord.

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The same reform regulated the use of forests and pastures giving the peasant the right to graze a limited number of cattle, and pigs to be fed in the forests. The ownership of such forests and pastures was left undecided.

Looking at this Land Reform we can agree with the judgement passed by Karl Grunberg 50 years ago that it was a socio-political patch-work, aiming not at the elimination but at the retention of serfdom. Already S de Sismondi has pointed out that this land reform saved the Austrian Empire from the French Revolution of the end of the 18th century. The same applied to the Croatian land reform. By removing the abuses, it preserved the use of the feudal system for another 70 years.

The short ten years period of enlightened absolutism under Emperor Joseph II brought the personal liberation of the serfs by allowing them freedom to move, to marry without the permission of the landlord, and to learn a trade. These freedoms were abolished after his death (1790) but were not forgotten by the peasantry.

II. THE 1848 LAND REFORM

The end of the 18th and the beginning of the 19th century brought forward in Croatia a boom of the Napoleonic wars in agricultural prices, coupled with inflationary bankruptcy of the Austrian Empire (1811). The French occupation of Croatia (1809-1814) down to south of the river Sava surprisingly enough did not touch the land problem. Between the end of the 18th century, and the middle of the 19th century population increased by 42%. Grain export also increased, not only from Croatia, but also from Hungary through Croatia to the Adriatic which caused considerable clash of interests between the Croatian and Hungarian nobility (after 1830). At the same time exploitation of forests increased by the export (after 1824) of

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increasing quantities of timber for making barrels, and also of potash, both to France and Germany. As many as half a million pigs were exported, going on foot from the Croatian forests up to Vienna, Strassbourg, Hamburg and Berlin. Wine was also exported to the northern Austrian provinces etc.

Increase of commerce started to disintegrate the old subsistence economy of the peasant. The increasing demand for commercial commodities increased the pressure exerted by the nobility on the serfs for more work on the allodial land. While on the other hand the necessity for building new commercial roads and other public works imposed a new strain on the peasantry by the public authorities. Thus the money economy put its strain on the old feudal ties. In the 18th-century the unpaid labour of the serfs amounted to 42% of their total male labour force capacity, feudal rent in kind took 20% of net produce, with what was left the serf had to feed his family and livestock, and pay all rent and taxes in cash to the landlord and the state. The arbitrariness of the feudal administration combined with the financial pressure of the nobility increased the peasants' discontent. On the other hand the dues and services which had to be delivered unpaid to the landlord, competed with the peasant's desire to give more labour and care to his own fields in order to be able to sell more, or to earn more money by working in the forests, in cartage or in factories. In such circumstances the discipline of the peasant serfs began to slacken, and the productivity of their unpaid labour fell down to one third of the productivity of paid agricultural wage earners.

Gradually it became more and more evident that the whole feudal system was decayed. The ball started to roll in Hungary. In the Polish insurrection of 1830 the serfs massacred the Polish nobility. Afraid that the same thing might happen to them in the case of a rebellion

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against the Hapsburgs some of the liberal minded Hungarian nobles initiated another land reform in the Hungarian Parliament 1832-36 which at that time legislated for Croatia as well. Laws were passed in 1840 and 1844 giving more liberal treatment to the peasantry. Protracted negotiations concerning the liberation of the serfs between the liberal and the conservative members of the Hungarian nobility dragged on in the Diet, and the Habsbourg Court played off one side against the other. This went on until the February revolution took place in Paris in 1848. After that the revolutionary movement in Vienna and in Hungary speeded up events to such an extent that in a few days the law abolishing serfdom was passed in the parliament, and sanctioned by the king.

The new Croatian Ban (Viceroy), Jelacic, could do nothing else but proclaim the abolition of serfdom. The pressure of the Croatian peasants was such that there was no other way out but the clear cut abolition of all feudal rent, in labour, cash and kind. The Croatian parliament of 1848 passed another law proclaiming that every serf was the owner of his "urbarial" land without limitation, but they added a guarantee of the state to pay the indemnity to the nobility and clergy. In 1853 and in 1857 during the period of absolutism a third set of legal ordinances was passed regulating the liberation of the serfs.

This land reform abolished all the dues and services. At the same time the feudal constitution and administration of the country was brought to an end. The new Civil law was introduced (1852) which gave the peasants full ownership of their "urbarial" land, all legal ties with the former landlords were broken, the peasants had to pay indemnity as a proportion of the land-tax, but this was collected by the state, and paid by it to the landlord.

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This land reform regulated the redistribution of income from land. It did not cause any redistribution of cultivated land, it changed the legal title of ownership. The ownership of forests and pastures had remained undecided up to 1836 when they had been taken away from the village communities and proclaimed the property of the feudal landlords. Now they were partly returned to the peasants as compensation for their right of supply of wood and timber and of pasture for their livestock. The peasants were however deprived of the best and most accessible parts of the forests which the nobility managed to retain for themselves. Long legal processes resulting from this segregation of forest and pasture took place, some of which lasted until the 1930's.

The land reform after 1848 made the peasants the owners of their land, but kept the system of large estates, and in the Danubian plain large latifundias were left untouched, worked by the agricultural semi-proletariat, former cottagers and now wage earners under centralized management. A great number of these estates were owned by foreign aristocracy, mostly of Austrian, German, Hungarian, French, Irish or Italian origin. The reform helped those peasants who already had some land, but those who had little were left in no better position. In 1848 11% of all the peasants in Croatia and 38% in Slavonia were almost land-less cottagers.

The large estates, left in the hands of the old feudal lords, were unable, after 1848, to adjust themselves to the new conditions of the capitalist society where they had to hire and pay the labour. The peasants, liberated from feudal services, concentrated on working their own land, which created labour shortage for large estates. Some of them tried to mechanize the work, and in the 1860's there were already steam ploughs ploughing the fields of Slavonia, and many agricultural products processing factories were built on the estates. But on the whole the change in the

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mode of production was followed by a change of ownership, and very often the old nobility were replaced by their former managers and lawyers, or by industrial companies and banks. Most often the cultivable land was dismembered and sold at exorbitant prices to the peasants in small lots. In this way, as the old Croatian proverb runs, "the peasants' cottages have eaten up the noblemen's palaces". This process was followed almost immediately by the disintegration of the large peasant joint family possessions, the "zadrugas", and small peasant households based on small families predominated more and more.

III. THE 1918 LAND REFORM

The third land reform, in 1918, was the outcome of the "green rising" towards the end of the First world war. Its specific character in Croatia was marked by the creation of a new state of Yugoslavia. Economically Croatia, from almost the least advanced and most agricultural part of the Austro-Hungarian Monarchy, became one of the industrially and economically most developed parts of the new state. This meant also new customs frontiers and considerable loss of markets for agricultural products, in one word: a boom for industries, and a crisis for agriculture.

Unlike the two previous reforms of the XVIII and XIX centuries and also unlike the land reform of 1918 in Dalmatia and Bosnia where the legal status of the serfs and colons was changed into free ownership of land, in upper Croatia and the Vojvodina there was on a large scale real redistribution of land which was taken away from the big land owners by dismembering their estates, and giving the land to the peasants. This land reform had also to a very great extent nationalistic character, as a great number of the owners of large estates was of foreign extraction. As it was carried out by the then predominantly Serb hegemonist ruling class in some places new Serbian settlers were set up in Croatia to give certain districts a Serbian majority.

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The whole reform was also linked up with the outcome of the war and the volunteers on the side of the allies were promised and given land.

But the strongest impulse came from the Russian revolution of 1917, with its distribution of land to the peasants. A great number of soldiers from Croatia serving in the Austrian Army were prisoners of war in Russia where many took part in one way or another in the Russian revolution. The greatest number of them returned home before or immediately after the fall of Austro-Hungary and represented a strong revolutionary ferment. Some 100,000 peasant soldiers left the Austrian army and formed "green cadres" in the forests.

Several laws on land reform were passed between 1918 and 1933 with the main purpose of liquidating the remaining semi-feudal relations and distributing the land of large estates. A maximum upper limit to the size of property was set up and this in Croatia amounted to 50-300 hectares (125-750 acres) of cultivated land. Above this maximum a super maximum was allowed for those having agricultural processing factories linked with their estates. The land was given to 95,000 local small holders or peasant families (2 acres each) and to the settlers who came from the overpopulated mountainous districts, (4,627 families) were settled in the fertile Panonian plains on 22,400 ha (56,000 acres) of land. These were given 4.85 ha (19 acres) of land for each family. From the economic point of view the reform was not carried out with skill or economic foresight. Land was given to the people with practically no cattle, implements, houses or farmyards. Most of the settlers lived for years in shacks or huts which they built themselves out of mud, meanwhile on the estates the well constructed buildings for their agricultural workers were left empty. Insufficient credit, or no credit at all was granted to the settlers. On the top of this the highlanders were predominantly extensive livestock breeders and were

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not used to the intensive work on land, or unable to stand the climate in the plains. Quite a number of them left, or rented their land to the industrious but land greedy German minority. On the other hand the large estates, dismembered and with less working animals and skilled labour, have decayed, their factories stopped and the quality of their goods deteriorated. Some estimate a 20% decrease in agricultural production in Croatia in the first years after the land reform. But the economic effects of the land reform cannot be judged by the state of the large estates alone, and the total volume of production. It was a necessary measure from the social and political point of view, it also soon showed its economic effect. After a few years agricultural production recovered, and the real gross product of agriculture increased until in the 1930's it was 27% above the pre-war level in spite of the great world economic crisis and the ineffective agricultural policy of the government.

On the whole this land reform did not settle the main agricultural problem of the country for one simple reason: there was not enough land to distribute, but it still left some 18% of the total and 9% of the cultivable land in holdings of above 50 acres.

IV. THE FOURTH LAND REFORM (1945)

The very difficult position of the peasantry remained: overcrowding in small holdings of from 50-300 heads per 100 ha of cultivated land, very little capital investment per head, a very small land area reclaimed, a low number of machines and low prices of agricultural products. The only way the peasantry saw a chance of bettering its economic position was by acquiring more land. This particularly applied to the small peasants, and the cottagers and agricultural workers who could find no jobs in the slowly progressing industries. The slogan "Land to the peasants", complemented

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the cry "Factories to the workers" in the Liberation movement during the Second world war.

The new law on land reform of 1945 was proclaimed even before the new constitution was set up. It, and subsequent laws, removed all traces of feudalism and reduced capitalist property, using hired labour, to insignificant proportions. It put an upper limit of 35 ha. (88 acres) of cultivated land to all privately owned property. But the average holding in Yugoslavia was already 5 ha. ($12\frac{1}{2}$ acres). All those who had other occupations were left with from 3-5 ha. ($8 - 12\frac{1}{2}$ acres). Land was taken from all banks and limited companies, and the churches and religious bodies were left with a maximum of 10 ha. (25 acres) of land each. Land was taken away also from those of the German minority who had joined Hitler, and from those who had been active facists collaborators etc. On the whole in the People's Republic of Croatia land was distributed to 95,835 peasant families of landless peasants and small cottagers, of which 10,972 families were settled from the highly over-populated regions of the South and North-west of Croatia, and moved to fertile Slavonia. On the top of this 9,563 families were settled in the trans-Danubian plain of Vojvodina.

This land reform did not have the national bias of the former one. It was fair on the whole not only to the Croats, but also to the Hungarians, and in other parts of Yugoslavia it repaired the damage done to the Macedonian and Albanian peasants after 1918. The peasants were given land, houses and some livestock and implements. In Croatia too some collective co-operatives were formed and tractor stations helped with tractors. This land reform led to a considerable decrease of the agricultural proletariat which in Yugoslavia as a whole fell from 486,000 to 138,000. On the other hand the process of levelling out larger and smaller peasant holdings led to an increase of subsistence farming at the expense of commercial farming.

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One cannot judge the economic effects of this land reform because this measure of agricultural policy, radical as it might seem, was soon overshadowed by much stronger measures of agricultural policy which culminated in the 1949-1952 drive for collectivization of agriculture, more or less on the Russian pattern, although with some difference on certain points.

In Croatia the collectivization of land was at its peak in 1950 when there were 1,560 collective cooperatives with 298,000 ha of land (735,000 acres), 68,610 peasant families with 270,546 members, which represents 8.5% of land and 11% of peasant families.

This trend of policy was not a success and one has to give credit to those who boldly reversed it. As soon as it was made possible 44,000 peasant families left the collective co-operatives and at the beginning of 1954 there were no more than 283 co-operatives left with 6,250 families and 17,040 members on 36,882 ha of land, that is 1% of land, and 1% of peasant families. This major agricultural attempt at putting land together failed not only because of the forcible method applied, but also because of the objective conditions in which it was set up, i.e. too many people remained on too little land, with too little livestock and machines to work with. The ratio remained the same although the people were put together, and the economics of scale were checked by stronger factors.

V. REFORM OF 1953

At the same time, in 1953, when the co-operatives were allowed to disband, a fifth land reform took place, the upper limit set up this time amounted to 10 hectares of cultivated land. But the long-term process of dismemberment of peasant holdings, which was intensified after the war by the compulsory deliveries and the progressive income-tax, had already gone

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so far that from the point of view of distribution of land this reform was quite insignificant, affecting only 15,000 hectares out of 3,450,000 hectares. Nevertheless it had some psychological effect as it gave the peasants the feeling of insecurity, whether in some years to come the maximum of 10 hectares will not be lowered to 5 hectares or less.

Both land reforms after 1945, much as they were justified from the point of view of social policy did not solve the main economic problem of Croatian and Yugoslav agriculture. Once again there was not land enough for all the people living from agriculture, they ate up what they produced and the little accumulation they could save for productive investment was taken away by taxes or price policy.

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II. PREWAR AND POST-WAR INCOME DISTRIBUTION

When analysing the changes of the national income distribution in Yugoslavia between the pre-and post-war periods, it has to be kept in mind that during the second world war and after it a social revolution took place which resulted in the formation of the basis for the building of a socialist economy. Such a change must obviously have a great effect on the distribution of national income.

Unfortunately the prewar income ~~figures~~ statistics of Yugoslavia were very neglected. The national income estimates were made from 1926-1938 intermittently to serve fiscal purposes, and then only very inadequately by calculating the national income by industrial origin. The estimates of the national income distribution were not made. For this reason it is difficult to make comparisons; they can only be of a very rough and approximate nature. Nevertheless as the changes in the national income distribution before and after the revolution were very great these approximations show some striking differences.

1) One official estimate. In the first years after the revolution (in 1948) a table was published officially showing the difference in the national income distribution according to social classes between 1937 and 1947.

Distribution of the National Income 1937 and 1947 (in milliard current dinars)

	1937	%	1947	%	±%
Capitalist elements in towns	13,109	29,64	4,551	3,42	-26,22
" " " villages	7,312	16,54	15,538	11,69	+4,85
Capitalist total	20,421	46,18	20,089	15,11	-31,07
State	7,028	15,90	47,806	35,97	+20,07
Workers and employees	6,245	14,20	33,345	25,09	+10,87
Medium and small peasants	8,456	19,12	29,239	22,0	+4,43
Middle classes (artisans & liberal professions)	2,071	4,68	2,421	1,83	-2,85
Total	44,221	100	132,905	100	

(Kidrič : O izgradnji socijalističke ekonomike FNRJ,
V. Kongres Komunističke Partije Jugoslavije, 1948., p451)

No explanation was given as to how the figures were arrived at, but the analysis shows that the personal and other services were not deducted, that very probably in the capitalist elements in towns income of industry, mining, transportation, building and forestry, and also banking, insurance and commerce were included after a deduction had been made for the income of the government sector in these branches of economic activity. The income of workers and employees was also deducted from this sum and put under a separate item calculated from the original data of the wage fund. The distribution of the capitalist elements in the villages was rather casually taken, dividing the agricultural income according to the size of the peasant holdings in 1931. Thus the area of holdings above 10 hectares comprising 45% of the total area of agricultural holdings was taken as a key to determine the income of the capitalist elements in villages which can hardly be considered a very exact measurement. The income of medium and small peasants was calculated on the same basis, taking the proportion of the area under holdings of less than 10 hectares size. The income of the state included all income from the state and public properties, and public enterprises in industries, banking, trade, transportation etc. The income of the middle classes comprised mainly the income of artisans and liberal professions, after about 40% reduction had been made which was included in the capitalist elements in the town group.

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As one might expect, the main change in income distribution is shown, in comparison to 1947 distribution, in the great reduction of the income of the capitalist elements in towns which fell from 29,6% to 3 or 4%. As the total included a comparatively small number, some 12,000 enterprises, their property was confiscated, expropriated, or nationalised, and ceased to be a source of private income. It was different with the capitalist elements in the villages which, according to the above mentioned criterion, included some 220,000 agricultural holdings, and 46% of the agricultural area. The problem in villages was more complicated. A radical land reform had taken place in 1945, limiting the size of holdings to 35-45 hectares. Unlike the town capitalists the income of holdings above 10 hectares carried on with their production, earning in 1947 an income of 15,538 million dinars, of which 6,496 millions was left at their personal disposal (including income in kind), and 9,042 millions or 58% of the income according to Kidris's valuation was taken away by the state in the form of income tax, compulsory deliveries, price policy etc.

In total from 1937 to 1947 the capitalist elements in villages (according to the above mentioned definition) fell from 16,5% to 11,7%.

As one would duly expect the workers' share of the national income increased from 14,2% to 25%. This increase was due to the improved position of the workers in relation to other social classes. But it was also partly due to the increased number of workers and employees coming from other classes.

The income of medium and small peasants also increased from 19,1% to 22% which is also partly due to the improvement of their position (i.e. land reform, abolishment of debts) and partly due to the dismemberment of larger holdings which increased the number of holdings under 10 ha. and thereby also the groups share of the national income.

The income of the middle classes was greatly reduced at this stage. It fell from 4,6% to 2,9% of the national income.

The greatest beneficiary of all in the distribution of the national income was the State, including both public administration, and government business sector, the latter very much expanded. The share of the new State in the national income more than doubled. It increased from 15,2% to 36% of the national income. This increase was typical for the stage of social changes linked with the rigid normative planning by the state administration in the Soviet pattern. It was called later "state capitalism" or "administrative socialism". After 1950 with the introduction of the workers' management of the enterprises and the separation of the administrative apparatus from the business management of the socialist enterprises, the share of the state in the national income redistribution was considerably reduced.

2) CHANGES IN THE ACTIVE POPULATION BY SOCIAL STATUS 1931 to 1953.

The above mentioned approximate figures of the national income distribution can be complemented by some more reliable figures from the 1931 and 1953 censuses of population showing the numbers of the income earners by social status.

In table 2 we give the figures showing this change :

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CASH RECEIPTS AND EXPENSES OF PEASANT HOLDINGS
(HOUSEHOLD-ENTERPRISES)In thousand dinars
per average holding
1953-1954

	Milliard dinars	Total	Size of holding			% distribution :			
			x- 3 ha.	3- 8 ha.	8- x ha.	Total	x- 3 ha.	3- 8 ha.	8- x ha.
RECEIPTS									
<u>Gross total</u>	256,0	121,5	101,8	119,0	174,8	100	100	100	100
Total receipts from									
<u>Agricultural holdings</u>	185,8	73,9	45,3	70,5	130,1	60,9	44,5	58,6	70,1
Crops	32,0	15,2	7,0	10,0	22,1	12,1	6,9	15,5	10,0
Vineyards & orchards	23,5	11,2	7,2	1,0	21,0	8,2	7,0	1,3	10,0
Livestock & dairy	78,9	36,9	21,0	40,6	78,5	30,5	20,6	12,1	30,1
Other agricul. receipts	19,8	9,4	10,0	6,4	15,8	8,1	10,0	5,4	11,4
Total receipts from off									
<u>holding activity</u>	100,2	47,5	56,5	42,5	44,0	19,1	55,5	39,7	23,9
Wages & salaries	59,6	28,1	37,4	20,9	20,1	23,2	30,7	19,3	12,0
Transport services, cottage indus., handicrafts	15,2	7,2	5,3	8,9	6,4	5,9	5,2	7,0	5,7
Other receipts from off-holding	25,4	12,2	13,8	10,6	13,2	10,0	13,6	8,9	7,6
EXPENSES									
<u>Gross total</u>	261,4	124,0	99,1	124,2	181,3	100	100	100	100
Total household expenses									
Food	53,7	25,5	29,0	22,2	26,9	20,5	29,3	17,9	14,8
Tobacco	3,7	4,1	3,9	4,0	5,1	3,3	3,9	3,2	2,8
Clothing & footwear	39,6	18,8	15,1	19,3	25,9	15,2	15,3	15,5	14,3
Housing, maintenance, fuel, light	15,4	4,5	4,3	4,3	9,4	3,6	4,3	3,5	3,0
Investment in Household	2,8	2,7	2,9	3,0	2,3	2,7	2,3	1,7	1,7
Other household expenses	17,7	8,3	6,5	8,4	12,6	6,8	6,5	5,7	7,1
Total agricul. holding									
<u>operating expenses</u>	126,4	59,9	37,7	63,2	102,1	48,3	38,0	50,4	56,3
Purchase of land	11,8	5,6	7,4	5,2	2,8	4,5	7,4	4,1	1,0
Investments	5,8	1,9	1,0	1,7	4,0	1,5	1,0	1,4	2,6
Current operating expenses	59,0	27,9	18,1	29,7	45,5	22,5	18,3	23,9	25,1
Tax	31,9	15,1	5,2	15,7	36,1	12,2	5,3	12,7	13,9
Other expenses	19,8	9,4	6,0	15,0	12,8	7,6	6,0	6,8	7,1

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Table 2

Active Population by Social Status 1931-1953 (000 omitted)

		Workers Employees	Members of Co-op. Collectives	Owner op- erators	Employers	Unpaid Family Workers	Appren- tices	TOTAL
Agriculture	1931	480	-	1624	142	284	-	5087
	1953	186	547	1771	37	2636	-	5179
	1955	-	193	2028	-	-	-	-
Mining	1931	54	-	-	0,1	-	-	54
	1953	110	-	-	-	-	18	128
Manuf. Indus.	1931	268	-	-	15	-	-	283
	1953	507	-	-	-	-	22	529
Building	1931	44	-	(18)	2	-	3	68
	1953	195	-	1	-	-	3	199
Transport	1931	80	-	12	12	-	-	92
	1953	158	-	1	1	-	3	162
Commerce	1931	87	-	102	102	10	11	210
	1953	229	1	3	1	-	7	240
Artisans	1931	81	-	156	156	12	59	308
	1953	153	17	97	16	12	56	353
Government	1931	248	-	-	-	-	-	248
	1953	450	-	-	-	-	-	450
Lib. professional	1931	18	-	19	19	-	-	19
	1953	1	-	5	1	1	1	9

The disappearance of the employers in the mining, manufacturing and building industries can be clearly seen from this table, so too can their considerable reduction in agriculture and artisans, where out of 113,000 artisans only 16,000 employ hired labour.

The number of owner operators, working on their own, is greatly increased in agriculture due to the dismemberment of peasant holdings. The number was considerably enlarged from 1953-1955 because of the disbanding of the collective working co-operatives in agriculture. (For 1931 we took as employers with hired labour those owners of agricultural land who had more than 1 hectare and for whom agriculture was an accessory occupation, and all owners with more than 20 hectares of land).

The number of workers in all activities except agriculture shows a great increase. This is the consequence of the industrialization of the country and particularly striking in building trades. The number of agricultural workers decreased partly because of the land reform which gave land to them, and they became owner-operators, and partly because they switched over to other industries. Also significant is the number of unpaid family workers in agriculture, which is the consequence of the attraction of the young labour force, particularly male, to industries and other non-agricultural activities.

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The decrease of the artisan owner-operators and employers is partly matched by the increase of the workers working in state handicraft enterprises and artisan co-operatives. Nevertheless their reduction represents a serious problem, as some trades are threatened with extinction. One should notice the great increase in government service personnel. The decrease of liberal professions is mostly due to the fact that a great number of its members have been socialized, i.e. employed in government service.

The changes in the occupational structure are followed by changes in the income distribution. But this is only partly so because there is a considerable number of people in all groups of occupations who have a second employment, additional earning, supplementary incomes, etc. which greatly change the picture of income distribution either by occupation or by social class. In a period not only of great social and political changes, but also of economic transition one should not be surprised to find a great number of intermediary classes and groups which can be significantly seen in the complex structure of income earning.

In fact most of the changes in the national income distribution between the pre-and postwar periods were of an institutional character due to the revolutionary changes in property. These extra-economic conditions include: expropriation of ex-enemy property, nationalization of all mines, manufacturing industries, banks, transport etc. and an extensive land reform.

The second main reason for the changes in income distribution were due to the consequence of the redistribution of the national income by government planning, not only through taxation, compulsory delivery of agricultural products and control of the housing rent, but also through the price, wages, and monetary policies.

Soon, only a few years after the revolution, it became more and more evident that the problems of income distribution are more complex than had been envisaged in the first few years of revolutionary plan. Changes in property and planning brought about by laws and ordinances were not enough to establish the desired "right" proportions. The economic effects of the foreign trade balance difficulties and national defence expenditure on one side, and inflatory pressure through investment policy, the incompressible demand of the consumers; the lack of stimulation of the workers and employees having a recessive effect on production; the reduction of peasant production to the bare necessities of life, etc., all brought to bear an ever increasing effect on the national economy.

II. POSTWAR NATIONAL INCOME ESTIMATES

Although the national income distribution has been planned since 1947 no calculation of the actual national income was made before 1951. The methodology of calculating national income was first published in 1952, and it was not until 1954 that more systematic thought was given to this problem in official circles.

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1/ I refer particularly to the activities of the Yugoslav Statistical Society at its second annual meeting in Oct. 1954, the proceedings of which were published in Nos. 3 and 4 of the "Statistička Revija" 1954.

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The national income figures from 1947 to 1951 were calculated on the basis of uniform basic planned prices which in fact were not so very uniform because of the falling purchasing power of the money which from 1947 to 1951 fell from 1000 dinars to 4052 dinars for the same amount of consumer goods. Since 1952 the income has been calculated in current average market prices. The index of the general wholesale prices increased from 88 to 104 between 1952 and 1954, and the index of retail prices rose from 91 to 98 in the same period.

The following figures are those of the national income from 1947 to 1954 as officially published. In the second row are given the figures of the national income expressed in the 1952 prices

National income (milliard dinars)

At planned prices Estimated at 1952 prices

1947	133	645
1948	190	855
1949	233	1010
1950	208	910
1951	231	996
1952	(202)	854

At market prices

1952	854
1953	1023
1954	1162
1955	1456

It is significant to note that the increase of the national income (calculated at 1952 prices) from 1948 to 1954 was at the average rate of 4% per year, which is quite a considerable achievement.

The national income at factor cost has not been calculated officially.

If we deduce the main item of indirect taxation (i.e. the turnover tax amounting to 130 milliard dinars total) we come to the following figures for 1954:

National income	Milliard dinars	Turnover tax	Percentage	Difference
Industry & mining	467	118	25	349
Commerce	77	10	13	67

This brings the national income down to 956 milliard dinars or by 12%.

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- 2/ These figures have to be taken with some reserve as in the view of all experts it is now almost impossible to reconstruct the real national income figures for the period 1947 to 1951 mainly because of the very diversified system of prices. In particular the 1947 figures are difficult to verify. It is not possible to analyse the national income and its distribution only in broad terms.
- 3/ Vinski, estimating the national income for 1954 at 894 milliard dinars at the market price, estimates the national income at factor cost at 780 dinars, thus taking the deduction of 11% (Vinski "Valorizacija narodnog dohotka", Narodna Revija 3 & 4 1954 p.271)

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On the other hand complex subsidies paid out of government sources to agriculture, some manufacturing industries and transport amounting in agriculture alone to 13,8 milliard dinars. We are not in a position to estimate the full amount of the subsidies.

The national income and the budgets. The Government (Federal, Republican and Local) plays a very important role in the redistribution of the national income. In the period of administrative socialism (1947-1951) the Government budgets included as well the financing of all Government enterprises (investment, circulating capital and fixed capital, belonging of the profit and loss account etc.) The share of the national income redistributed through the Government budgets at that time amounted to nearly three quarters of the national income, calculated at basic planned prices.

The Government budgets had necessarily to take into account the changes in the purchasing power of money, and therefore, although based on planned prices (particularly for goods bought from the state sector) had to follow the yearly current price movements. Therefore the comparison between the national income figures at planned prices and the budget figures had to be adjusted.

There is great difficulty in estimating the national income in current prices because of a very complicated system of pricing. We tried to get some approximate figures by applying an inflator consisting of reciprocal value of the loss of purchasing power of money. This very approximate estimate of the national income at some sort of current prices from 1947-1951 shows that the Government budgets took between one half and three quarters of the national income for redistribution; still a very high figure.

Government budgets and National Income
(milliard dinars)

Year	Government budgets	National Income at planned prices	% at current prices	%
1947	96	133	72	72
1948	138	190	73	53
1949	172	233	74	49
1950	178	208	87	43
1951	160	231	69	17 ?
1952	297	-	-	35
1953	299	-	-	29
1954	492	-	-	45

X approximations

The figures for 1951 are the least reliable because of the unclear situation in the price policy, being a period of transition between the old and the new economic systems.

The budgets from 1952 onwards are based on the separation of the Government administrative sector from the socialist business sector, although a greater part of the investments were still made out of the Government budgets. The result of this was that the redistribution of the national budget income varied between 29% and 45% in the 1950's.

The investment out of the Government budgets amounted in 1954 to 92 milliard dinars.

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The income of the Government budget taken directly from the business sector amount to 24 to 32% of the national income. Those taken by taxing the population by direct taxation (income tax) amount to an average of round 3% of the national income as shown in the following table :

Year	National Income (Mrd.s.dn.)	Government budgets (Mrd.s.dn.)	Income from Business (Mrd.s. dn.)	%	Income from population (Mrd.s. dn.)	%	Other incomes (Mrd.s.dn.)
1952	854	297	206	24	24	2,8	57
1953	1023	299	221	22	35	3,4	42
1954	1086	492	350	32	36	3,3	116

Domestic and world market prices. The national income figures have to be considered in the light of a price policy with a bias towards overestimating the prices of the industrial, and underestimating those of the agricultural products. This is also noted in the official methodology for the calculation of the national income, where it is stated that the prices of industrial goods are above the average world market prices, and the prices of agricultural goods are below that average ; this proportion being due to a definite policy favouring industrialization at the expense of agricultural development ; therefore this proportion - it is said - is also reflected in the national income distribution between the various republics following the proportion of the industrial and agricultural origin of their income.

According to some estimates made by the Economic Institute of Serbia for the whole of Yugoslavia, based on 1952 internal and world market prices, the following figures were obtained :

NATIONAL INCOME

	At domestic prices		At world market prices		Difference	Ratio internal to world prices
	mrd. dn	%	mrd,dn.	%		
Manufacturing	402,6	56,0	220,0	35,6	+ 182,6	1,81
Industry	217,0	44,0	399,6	64,4	- 182,6	0,55
Agriculture	619,6	100	619,6	100		

The estimate shows that the industrial goods are overestimated by 181% above the world prices, and that the agricultural goods are underestimated in internal prices by 45%. Recent changes (1955) in the agricultural price policy are aimed at reducing this discrepancy.

Geographical distribution of the national income. In a country which is so unevenly developed economically and culturally, and shows such demographic differences, the geographic distribution of the national income is very important. 5/ In the table appended we give the main characteristics of the six Yugoslav republics which influence the National Income distribution. The national income per head is three times higher in Slovenia than in Macedonia.

Savezni Zavod za statistiku, Metodologija za obračun narodnog dohotka u 1954., p. 22 and 23

What is called in Yugoslavia the republican national income is in fact the republican share in the national income of Yugoslavia, where the inter-republic transactions are not taken into account.

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INCOME DISTRIBUTION AND SOCIO-ECONOMIC STRUCTURE OF THE
FEDERAL PEOPLE'S REPUBLIC OF YUGOSLAVIA (1953)

		FED.	Slovenia	Croatia	Bosnia	Macedonia	Montenegro
Area (256,000 km sq)	% 100	7,8	21,0	41,2	20,1	10,1	2,8
Population (16,927,000)	100	8,5	23,5	41,2	15,8	7,7	5,5
National Income (1923 Mrd Din)*	100	15,8	25,4	38,5	13,1	5,3	1,9
Population density (1953)	66,4	33,2	69,5	79,8	55,6	81,7	50,4
Natural increase of po- pulation ratio (1952)	18,0	12,6	12,3	18,7	27,7	24,9	21,0
Average size of the family (1953)	4,25	3,63	3,80	4,26	4,27	3,24	4,50
Percentage of agricultural population	62	42	57	67	63	64	71
Agricultural density per ha 100 cult. land	106	111	105	115	105	135	207
Fixed capital (Soc.sect.) per head (000 Din)	595	655	630	607	560	367	432
Retail trade (Soc.sect.) per head of pop.(000 Din)	27	50	32	23	21	21	25
Yearly wages (average per employed in 000 Din)	112	115	112	109	104	93	103
Nat.income from agric- ulture	100	6,1	18,8	49,4	12,4	7,0	1,9
Nat.income from manuf.industry	100	25,3	25,7	30,1	13,5	3,8	0,8
Nat.income from agric- ulture & forestry	31,4	12,8	30,1	35,2	20,8	40,7	39,6
Nat.income from manuf. industries, mining & building	40,4	72,3	50,6	40,2	36,5	42,3	44,6
Nat.income from services	20,2	14,9	19,3	24,3	13,7	17,0	15,6
NATIONAL INCOME PER HEAD (000 Din)	60,2	110,8	66,4	53,1	47,1	41,8	35,7

x
Residual 2,5% undistributed

xx
Private sector excluded

xxx
Socialist sector including all manufacturing industries,
commerce, rail, maritime & river transport, mining and
greater part of forestry.

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There is quite a marked correlation between the geographical distribution of the national income per head, and such factors as population density, natural increase of population, size of the family, or of cultural factors, such as percentage of illiteracy etc.

III. The Distribution of the National Income.

Although the distribution of the national income has been planned for every year since 1947, in the old system of direct normative microeconomic planning, and particularly since 1952 in the new system of financial and indirect planning of macro-economic proportions only, there are no published estimates of the actual distribution of the national income up to 1952. Some figures were published in the yearly reports on the economic development in the preambles to the Federal Social Plans for the following years (1952-1955). There are also some estimates of the national income distribution made by the Federal Economic Institute for the years 1952 and 1953, qualified as tentative. On the basis of these estimates, and using the official figures as presented, we have completed the following table of the estimates of the distribution of the national income, as far as it is possible at the moment.

Tentative estimates of the National Income distribution (1952-1954) (Federal Economic Institute estimates, in current prices, million dinars)

	1952	1953	1954
Fund of personal consumption in business sector	345	438	460
Of this fund:			
a) personal consumption of workers & employees in socialist sector	134	147	168
b) personal consumption of individual peasants	190	291	292
c) personal consumption of artisans & others	21		
Public Funds	366	362	421
a) social insurance	76	89	101
b) budget expend. (Federal, republican, local)	92	98	131
of it personal expenditure	60	60	84
c) national defense	185	167	181
d) business enterprises reserve funds	11	8	8
Nett Investments	201	256	249
a) socialist sector general investment funds	190	224	
business enterprise funds of above	5	37	
b) co-operatives & private producers funds	11	33	
Total Distribution	912	1057	1143
National Income	854	1008	1100
Difference	58	49	43

Source: Ekon. Institut PRJ, Stanje privrede u 1953., p.167.

Ekon. Institut PRJ, Privreda u 1952., p.181.

Savetni društveni plan za 1955.

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The Gross National Product was calculated from 1947 to 1951 for planning purposes very inadequately, with many double countings, so that only from 1952 onwards can the figure be used with more reliability. The figures are the following ones :

	1952	1953	1954
	billion dinars		
Gross social product	949	1134	1211
Depreciation fund	295	111	13
National income	654	1023	1088

The definition of the national income in Yugoslavia does not follow the standard definitions. It is nearer to the concept of the net geographical product, but not quite equal to it. The foreign trade items are calculated once at the official rate of exchange and then the difference between the official rate and the sum actually paid or obtained is put at the end as undistributed item not included in the national income. Foreign aid and foreign credits, both government and business are not included in the national income either. It is almost impossible to bring the figures to the generally accepted concept.

The first part consists of the Fund of personal consumption in the business sector of the economy, divided into three parts : a) personal consumption of workers and employees in the enterprises (State and co-operative) of the socialist sector consisting of the wage fund and some minor items. b) Personal consumption of individual peasants, both in cash and kind, expressed in wholesale prices. c) Personal consumption of artisans and others (such as liberal professions). This first part includes only the direct producers who contribute directly to the formation of the national income according to the Marxist criterion of productive work in material production. It does not include the whole personal consumption, the salaries of the public servants being included in the budget expenditure as transferred incomes.

The second part of the national income distribution consists of social or public funds. Social Insurance covers insurance against sickness, accidents, children's allowances, pensions and unemployment benefits etc. and amounts to 43% of the wage bill. The budget expenditures cover the Federal, Republican and District People's Committee budgets. They cover public administration, and cultural, educational, health, social assistance, communal and other services, as well as subsidies to underdeveloped republics and districts. The national defense being the largest item of the Federal budget is expressed separately; it includes current expenditure for the national defense services, expenditure and investment in armament industries etc. Among the social funds a special item is the undistributed business enterprise reserve fund, required by law.

The third part of this estimate consists of the net investments which are defined as gross investments minus depreciation allowance. Part of the investments are still derived from the government, thus being part of the administrative distribution of the investment fund. Others are collected by General Investment Fund which is fed by the yearly contribution of all enterprises of 6% of their fixed capital (with some exceptions such as hydro-electric power stations where the rate is 2%, agriculture etc). The National Bank provides some funds out of its own resources, and a certain amount is spent by the enterprises themselves. Also a part of the depreciation fund is spent on investment.

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In 1953 and 1954 the National Bank distributed the following investment funds:

	1953	1954	1953	1954
AVAILABILITY FOR INVESTMENT				
Total	343	446	341	392
General investment funds	175	141	213	157
National Bank funds	4	20		
Budget expenditure on investments	-	17	14	91
Budget credits for financing investments	18	65		
Investment funds of the enterprises & special government agencies	43	67	37	58
Depreciation funds	104	138	75	86

The total amount spent on investments in 1953 was 341 milliard dinars and in 1954 was 392 milliard dinars.

All figures supplied by the National Bank (Meseni Statisticki Bilten No. 384 1955, p. 26, 27).

The investments of private individuals are not included in the above mentioned figures. They are given separately and represent a minor item (19 milliard dinars) although one has the feeling that they are rather underestimated and incomplete.

Part four is called Total distribution, and should rightly be called national income. As mentioned before the next item, five, is in fact equal to the net geographical product. The residual item six - Difference, represents a sum differential between the items four and five. It shows the negative balance which was covered by Tripartite (American, British and French) aid, foreign government and commercial credits and other items.

IV. NATIONAL INCOME AND RATE OF INVESTMENT

In the Yugoslav economy the rate of investment is very high. There is an attempt to avoid the difficulty of separating gross and net investment by introducing the concept of new investment which represents all net investment and that part of the depreciation funds which is not used for replacement and maintenance but for expanding the economy. The ratio of the national income to the new investments, which are obtained only for fixed capital investment at the 1952 prices, are as follows:

New fixed capital investment ratio to national income (at 1952 prices)

	National income milliard dinars	New investment	%
1947	645	164	25.4
1948	855	239	28.0
1949	1010	319	31.6
1950	910	261	28.7
1951	996	250	25.0
1952	854	235	27.5
1953	1023	264	25.8
1954	1086	249	22.9

(Figures based on estimate of the Federal Planning Institute and the Federal Economic Institute)

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The rate of investment is rather high, and it is continually kept above 23%, and in 1949 it reached 31.6%, an unusually high rate. On the top of this, neither investment for defense industries nor corresponding investments in circulating capital and stock are included. The rate of investment has been gradually reduced since 1949 to 23.1 in 1954.

The problem of the magnitude of investments is still more difficult when coupled to the expenditure on national defense. The following table shows this development:

**FIXED CAPITAL INVESTMENT AND NATIONAL DEFENSE
EXPENDITURES (Milliard dinars)**

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		National Income	New Fixed	Defense Total	Percentage of Nation.Ins.		
		capit.invest.	capit.invest.	capit.invest.	capit.invest.	Defense	Total
<u>at planned prices</u>							
1947	133	41	12	53	31.3	9.1	40.4
1948	190	60	15	75	31.7	8.1	39.8
1949	233	75	24	98	32.0	10.2	42.2
1950	208	68	26	94	30.7	12.2	42.9
1951	231	140	33	173	60.6 ?	14.5	75.1
<u>at current prices</u>							
1952	854	235	183	418	27.5	21.4	48.9
1953	1023	264	167	431	25.8	16.3	42.1
1954	1086	249	163	412	22.9	15.0	37.8

It reached particularly difficult dimensions after the economic blockade made by the Soviet Union after 1948. Both defense expenditure and fixed capital together amounted to 40% in 1947 and 1948, increased to above 42% in 1949 and 1950 and reached the peak in 1952 of 48.9%. They were reduced by 1954 to 38% of the national income, still an extraordinary high percentage.

If we consider that at the same time, after 1950, a policy of liberalisation of internal trade took place which worked as a safety valve to the economic pressure, it is no wonder that strong and ever growing inflationary pressure took place. Not only was there a steadily increasing discrepancy between the nominal and real expenditure, but also a much greater increase in prices of investment goods than in consumer goods. As the consumer goods prices increased from 1947 to 1954 by 3.2 times, the prices of capital goods increased by 4.3 times, and particularly the cost of building by 4.7 to 5.9 times. Thus the real investment expenditure was certainly much lower than the nominal one.

The relationship between the consumption fund, government expenditure and gross investment has been shown recently in official Survey of the economic development of the first 5 months of 1955. It shows that the total consumption fund (expressed in the 1952 prices) increased between 1952 to 1954 by 9.91 (per head of population 6.4%). The material budget expenditure on goods, and the social insurance fund increased by 53.7% and total investments by 20.9%.

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REAL DISTRIBUTION OF THE GROSS NATIONAL PRODUCT (at 1952 prices)

(billion dinars)

	1952	1953	1954
Personal consumption (total)	957	971	612
Non-personal expenditure (budgets & social insurance)	51	63	78
Gross investments	293	338	354

(Report of the Federal Executive Council to the
Federal Parliament: Survey of the national
economy January-May 1955).

Moreover the consumption to investment ratio, as planned in yearly Federal Social Plan is not kept, but investments are constantly increased by the local authorities as well as by the enterprises of the socialist sector, increasing the inflationary pressure, (increase of short term credits, using of short term credits for fixed capital investment, starting new investment without corresponding financial basis, etc.)

It was the Government policy to check this inflationary pressure of investments, but not until very recently have radical enough steps been taken to do so.

INCOME AND EXPENDITURE OF WORKERS AND EMPLOYEES

In view of the special socio-economic structure of Yugoslavia one of the main indicators of the personal income distribution is the statistics of wages and salaries. Out of 2,659,000 economically active non-agricultural population, 1,782,000 derive their income from wages and salaries, (i.e. 67%).

1. Wages and salaries. In the economic system of 1947 to 1951 uniform wages for all enterprises according to level of skill were set up by law. This system showed itself to be rigid and unworkable, and had to be replaced by a more flexible and stimulating one, and so it was altered in 1952. In the following table we give the income distribution by various branches of economic activity and of groups of industry for 1952 and 1953, in billion dinars.

Income distribution by economic activities (State Statistical 1954, p. 112)

		Total returns	Ex- cess	Accumulation + social security fund	Wage fund	Ratio of accumul. to wage fund (=100)
1) Manuf. Indus. Mining	1952	94,544,405	538	64	6,8	528
	1953	101,541,430	564	67	6,5	528
coal mining	1952	48	33	24	9	18,1
	1953	45	25	17	8	17,7
Metal & Machin. ind.	1952	134	64	54	10	7,3
	1953	174	77	65	12	6,9
Textile industry	1952	221	85	78	7	3,1
	1953	177	69	62	7	4,0
Food processing	1952	56	20	16	4	7,1
	1953	78	30	26	4	5,2
2) Transport	1952	117	43	24	19	16,2
	1953	128	47	27	20	15,2
3) Commerce	1952	113	56	36	20	17,7
	1953	128	77	52	24	20,7
4) Agriculture	1952	371	217	34	183	18,6 x
	1953	437	310	52	258	20,0 x

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Total returns represent the amount of sales (i.e. material reproduction cost plus income); Income is gross product minus depreciation allowance. The third column gives the figures of Accumulation plus Social Funds (AF), paid by the enterprise to the state as obligatory saving and tax. It was used for social insurance fund (45%), administrative budget (27%) and for general investments (21%). The enterprise was given a certain proportion of the income at its own disposal amounting to 2.8% in industry and 16.8% in commerce. The AF was determined as a factor applied to the wage bill. So for instance of every 100 dinars paid to the workers in manufacturing industries, 528 dinars had to be paid to the National Bank as the Accumulation and Social Fund contribution. In this way wages were made dependent on the income of the enterprise. We have given some examples of industries, such as textiles, in which this AF rate amounted to 1114, meanwhile in others, i.e. coal mining the figure is only 266. The ratio in transportation and commerce fluctuates between 126 and 180. In agriculture, according to the plan, the ratio of accumulation to the consumption fund was only 19:100. Various factors influenced the determination of these ratios fixed by the yearly Social Plan, of which the most important, was the used capacity of production.

This Wage Bill Tax Saving System was applied in 1952 and 1953. In 1954 the Participation System was introduced, in which the Social Communities (Federal, Republican and Local) participated in the distribution of the profits together with the working collective and the enterprise itself. The workers' wages was divided into two portions, the fixed and the variable, the latter depending on the profits of the enterprise. The collective wage fund was decided on by the enterprise on the basis of a calculative wage determined by the Social Plan for each group of workers and employees according to their qualifications, and the number of the workers was decided collectively by the enterprise. Within the framework of this proportion of wages, the wage tariff of the enterprise, (made by the Workers' Management of the enterprise, the Trade Union branch and the local Authorities), determined the actual wages of each kind of job. The 1955 plan altered this system to a certain extent, the significant change being a switch from time wages to piece wages.

The variable part of the worker's wage amounted in 1952 and 1953 on an average to between one and two additional monthly wages, and in 1954 to about one additional monthly wage.

As can be seen from the table above the share of the wage fund in the total returns is no more than 6.5% to 6.8% on an average in manufacturing industries and mines. It is proportionally somewhat higher in transport and commerce, and still higher in agriculture where it is between 40% and 53% (because of low prices and small productivity). The small percentage of wages in the total returns of industries is due partly to the higher productivity and to a greater extent to the price and tax policy. To a certain extent it is also due to the wage policy which deliberately keeps the regular fixed wages on the lower side in order to stimulate the workers to increase their efforts to achieve higher variable wages.

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Wages and salaries (monthly average in current dinars)

	1945	1952	1954	1955
Workers				
Highly trained	3,109	11,180	12,000	14,410
Skilled workers	2,542	10,203	8,800	10,375
Semi-skilled	2,106	10,203	7,000	8,340
Unskilled	1,798	7,657	6,000	7,140
Employees				
Highly qualified	5,200			16,780
Medium qualification	4,300	8,159		11,115
Primary qualification	3,600	7,755		8,645
Auxiliary	2,383			7,345
Civil service				
Highly qualified			12,400	15,150
Medium qualification			5,303	10,650
Primary qualification			4,040	8,550
Workers			2,960	6,920
Auxiliary & temporary			3,320	5,560

Source : Stat. G. dišnjak 1955, p. 291-2

The development of wages since 1945-1955 is shown in the this table, according to three main groups of workers, employees and civil servants. The table shows the regular wages only. It shows that the wages of the highly trained workers have approached those of the highly qualified employees, who are the best paid group, having higher wages than the civil servants who cannot participate in the profits of an enterprise.

The data show also a very low range of difference between the unskilled and skilled workers, as well as between the highly qualified and auxiliary employees. The ratio is 2:1. In the civil service the ratio is 2,7:1. There is a tendency in the wage policy to increase this ratio in order to stimulate the workers and employees. But this tendency is counteracted by the constant necessity to raise the standard of the lowest paid groups because of the falling purchasing power of money. Nevertheless there is a tendency to widen the range within each of these four groups which is not apparent from the statistics. We can follow this process better by statistical data available from the civil service which more or less follow the development of pay in the business sector. The range was greatest in 1914, and it was gradually falling after the First World War, and began to increase in the early thirties and fall with the inflation in 1940. After the revolution in 1945 there was a short period of egalitarian tendencies which was later replaced by increased differentiation in salaries.

Ratio between the highest and the lowest salaries of the civil servants.

	Pre-First World War	Between the wars	Post Second World War
1914. Slovenia and Dalmatia	12,8	Yugoslavia	F.P.R.Y.
Croatia	9,6	1923	1945
Bosnia	8,0	1931	1950
Serbia	7,0	1940	1952
Montenegro	8,3		1955

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Altogether one can observe over the last 40 years a steady tendency of converging trends and salaries. It can be shown by the following table of development of nominal wages and salaries in Croatia :

	1914	1938	1954	1954 (children's allowance incl.)
Average workers (non-agr.)	100	100	100	100
Employees	186	155	121	107
Civil servants	338	207	117	104
agr. workers	64	47	64	72

It shows the levelling up of the intellectual and manual workers in an increasingly industrial society. It is followed by the loss of the middle class position of the civil servants, and the levelling up of the lowest paid classes of workers. This tendency has been greatly accentuated by the revolutionary changes of 1945, and in an underdeveloped country the average level is bound to be on the lower side. It could be higher if it were not for the great expenditure on national defence and high rate of investment.

Nominal and real wages. The development of real wages can be observed for non-agricultural workers, employees, civil servants and agricultural workers in the table below.

Nominal and real wages of workers, employees and civil servants 1914-1954
(in current dinars for a family of 4)

	Workers (non-agr.)	Employees	Civil Servants	agric. workers.
<u>Nominal wages</u> (cur.dinars)				
1914	84	161	290	55
1938	173	1834	2033	459
1954	916	10980	10720	8360
1954 (regular income)	10623	16630	16220	11360

Real wages (% of living costs-minimum)

	Workers (non-agr.)	Employees	Civil Servants	agric. workers.
1914	64	113	204	44
1938	53	89	111	30
1954	51	94	52	32
1954 (regular income)	68	82	72	62

The above income : min. inc. added is the childrens allowance.

The real wage represents the percentage in which the nominal wages cover the theoretical minimum budget of workers family of four. There is some difference between the prewar and postwar theoretical minimum wage, the latter being a greater expenditure on food and clothing and less on rent and services.

The nominal wages in 1914 amounted to 64% of the theoretical wage budget of living costs; they fell by 1938 to 53%. In 1954 the regular wages covered only 51% of these costs, but in view of the children's allowance, were bound to cover 68% of the theoretical minimum. The corresponding figures for the employees in the business sector are 113% and 82% and for the civil servants 204% and 72%. The worst off is the agricultural sector whose wages covered only 32% of the theoretical budget, but 62% if the children's allowance is included. (The increase in the family size is not here taken into account.)

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Wages and income relationship. As we have seen above, the regular workers' wages are low. They amount on an average in the manufacturing industries to 46 dinars per paid hour or to 51 dinars per effective hour of work, which at the rate of 600 dinars a dollar amounts to 7,7 or 8,5 cents per hour. Of course the regular wages and salaries do not represent total workers' and employees' income. To them must be added personal, functional, travelling and other allowances, as well as children's allowance. This last amounts to 3,000 dinars with a progressive scale for an increased number of children, so that the children's allowance for three children on an average is equivalent to 10% of the workers' income. The share of regular wages and salaries amounts only to 10% of the workers' income. The children's allowance supplies the following 10% or 20,0% of the workers or employees income.

In addition to this one has to bear in mind that the workers and employees pay no direct tax on their salary and wages, and that the social insurance contribution is entirely covered by the enterprises, so that the wages and salaries represent the net "take home" wage. Moreover certain kinds of food, such as bread and fat, are subsidised and rent also is much below its real value as too are certain services, thus the real wage should be increased by the value at the economic price of government subsidies and rent. These were calculated at 6,347 dinars, or 30% of the workers' regular income.

The situation by which the wages and salaries are below the minimum living costs has brought about a situation in which the workers and employees have created for themselves different sources of supplementary and complimentary income.

a) The supplementary incomes we would call those additional incomes which are determined by the origin of the working class. A great number of workers have not lost their link with their peasant families; they live in their own houses; they cultivate (with the members of their family) their own land, from which they obtain some income additional to their salary. They also live in large families with several members economically active or wage earners, altogether 55% of the non-agricultural households own land, and 43% of such households live in a house which is their own. 26% of non-agricultural households live in a family of 5 or more members. There are only 58% of non-agricultural households with only one member economically active, and the other 42% have more than one member economically active.

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This table shows the distribution of peasant holdings in the private sector.

Direct data regarding the number and distribution of peasant family holdings (household enterprises) are not available until recently when a survey was made by the Central Statistical Office. This survey covers 1,338 peasant holdings taken as a sample from the whole of Yugoslavia. The results of the survey for the 1954/1955 economic year were published and extended to the whole of Yugoslavia on the basis of 2.1 million holdings. Although this survey is a sample of only 0.82% in a country of such vast area, it gives a picture of agricultural development, its results are not far from the truth. The items concerning the monetary income have been published (Index No. 3 and 1955). They give the following picture of income in the peasant sector:

All holdings are divided into three groups, up to 3 hectares, from 3-5 hectares, and from 5 hectares onwards. The holdings of less than 3 hectares represent 55% of all private agricultural holdings and 15.7% of their area, with an average size of 1.57 hectares. The second group comprises 38.9% of the number of holdings and 41.6% of the area, with an average of 5 hectares per holding. The third group comprises 14.5% of the number of holdings and 42.7% of their area.

The striking result of this survey is that the Yugoslav agriculture, in its peasant sector has reached the stage where it derives only 61% of its total receipts from the work on the family holding, and 39% from off-holdings. The average peasant family holding receives 24% of its total receipts in cash. Even the largest category of holdings, those of 5 hectares and over, derives 24% of its receipts in cash activities and 22% from wages and salaries.

This is due partly to the shortage of land, partly to the price policy which underfunds agricultural products and pays highly for other export services in the forests.

The average income for operating the holding amounts to 22.5% of the total cost, of which the current expenses amount to 1.5% and the fixed investment to no more than 1.5% and the purchase of land to 1.5%. The average peasant family holding spends, on an average, 20.5% of their income on consumption, including medical, and even the largest group cannot spend more than 10% on family consumption and has to spend 10% of their income on buying food. On the other hand they have to spend 10% of their income on agricultural improvement can be achieved only by purchase of material means of production.

VII SOME CONCLUDING REMARKS

The specific characteristics of the national income distribution in Yugoslavia are the following:

1) The income distribution is skewed in extreme proportions; in the socialist sector it is strictly regulated. The saving for investment according to the principles of socialist accumulation is concentrated in the state funds.

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Structure of Agricultural and non-agricultural households, census 1933

	Total	%	Agricult. households		Non-agric. households	
<u>Total households</u>	3984	100	2009	100	1975	100
<u>Family type</u>						
1) Family living in a single flat	1726	43	571	28	1155	58
2) Family living in a different occupation	1129	28	1049	52	80	4
3) Family living in a different occupation	960	24	389	19	571	28
<u>Family composition in households</u>						
1) Single	482	12				
2) With children	2148	54				
3) With other relatives	1309	33				
4) With unrelated members	39	1				
<u>Household type in household</u>						
1) Single	482	12	102	5	380	19
2) With children	578	15	231	12	347	18
3) With other relatives	1326	33	524	29	732	37
4) With unrelated members	945	24	597	30	348	17
5) X	570	14	416	21	154	8
6) X	84	2	68	3	16	1
<u>House ownership</u>						
1) House living in own house	2721	69	1880	94	848	43
2) House not " " " "	1222	31	115	6	1107	57
<u>Land ownership</u>						
1) No land owned	1153	29	70	4	1083	55
2) 0.1 - 1.0 ha.	895	23	417	21	478	24
3) 1.1 - 5.0 "	859	22	632	31	227	12
4) 5.1 - 10.0 "	444	11	378	19	66	3
5) 10.1 - 100.0 "	386	10	341	17	45	2
6) 100.1 - 1000.0 "	91	2	28	1	63	3

+ Single family: parents with own children
 + Extended family: parents with children & other relations

In the agricultural households there are 19% of the households in which have some members of the family occupied in other economic activities (non-agricultural).

In this way the wages of the workers are supplemented by income derived from land and house, and the larger family structure helps to match the living costs.

1) We will call complementary incomes the additional income which the individual worker considers necessary to provide for keeping his standard of living level. In other words the complementary income serves to increase the income up to the level of incompressible demand. In this respect the complementary income consists of overtime work and similar additional earnings in the form of work in a factory or workshop, either for some other enterprise or for an attachment to the worker's own account. Additional earnings are provided by selling products and goods from the household; sale of goods received in gift; etc. Finally there is a steady increase of purchasing power by taking on credit from the National Bank, buying on the installment system, or taking on credit from private individuals. There are also other less respectable effects of incompressible demand.

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Workers and Employees family budgets. The survey undertaken by the Central Statistical Office since 1954 included 708 families, taken at random, of which 359 were worker's and 349 employee's. All servants families of four members of which one was wage

Workers and Employees monthly family 1954

	D i n a r s		Percentages	
	Workers	Employees	Workers	Employees
<u>Income</u>	18,076	19,952	100,0	100,0
- Regular	15,623	16,830	86,4	84,4
- Bonuses (salaries)	10,228	11,353	56,6	56,9
- children's allowance	5,293	5,285	29,3	26,5
- other	102	192	0,5	1,0
- Extraordinary	2,453	3,122	13,6	15,6
- from work in main occup.	1.195	1.388	6,6	6,9
- from other work	458	636	2,6	3,2
- other	800	1,097	4,4	5,5
<u>Expenditure</u>	17,268	19,273	100,0	100,0
- Food	9,102	9,706	52,7	50,4
- Tobacco & drinks	1,093	1,010	6,3	5,2
- Clothing & footwear	2,730	3,128	15,8	16,2
- Rent	456	618	2,6	3,2
- Light & fuel	1,231	1,389	7,1	7,2
- Furniture & household	773	868	4,5	4,5
- Personal care	509	589	3,0	3,1
- Cultural & Social life	999	1,506	5,8	7,8
- Other	375	459	2,2	2,4

The survey has a certain bias towards higher income groups, and towards representing more a 'normal' worker's or employee's family, rather than the widespread mixed type. The structure of the budgets show 52,7 or 50,4% expenditure on food on an average, (which in smaller income groups reaches even 80%). The expenditure on tobacco and drinks is rather high and that on clothing and footwear low in absolute figure. Rent is controlled at the average level of 200% of the prewar, while other consumer prices have increased, e.g. food by 1,535 and clothing by 1,011 index. Expenditure for services, recreation and cultural activities correspond to the general characteristics of these low income budgets.

It is interesting to note the difference of the income elasticity of demand between workers and employees as well as between the different republics of Yugoslavia. So for instance the co-efficient of elasticity of demand in 1953 showed the following significant figures:

	Serbia		Croatia
	Workers	Employees	
Food	0,60	0,60	0,47
Tobacco & drinks	0,86	0,87
Clothing	1,50	2,00	3,10
Rent & house-hold			
operating	2,11	0,67	1,07
Others	2,50	1,90	2,35

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VI PEASANT INCOME

The first important criterion of the income distribution of the peasant agriculture is its division into three sectors each one with different institutional characteristics: the general social sector (former state sector), the co-operative sector (with collective co-operatives and general co-operatives of the classical type), and private sector. The demarcation line between these three sectors has changed almost every year, so that it is difficult to give figures for the income of each of the sectors. An idea of their importance may be gained from the statistics of the agricultural area of each of the sectors in 1954.

Agricultural area by sectors 1954

	Agr. area		Cultivated Land		Arable		Vineyards		Orchards		Meadows		Pasture	
	M ha	%	M ha	%	%	%	%	%	%	%	%	%	%	%
Total	14,6	100	2,9	100	100	100	100	100	100	100	100	100	100	100
General social	2,8	19,2	0,5	17	5,6	3,4	3,1	5,1	48,9					
Co-operative ^x	0,5	3,4	0,4	14	5,2	3,7	2,2	1,9	1,3					
Private	11,3	77,4	2,0	69	89,2	92,9	2,7	95,0	49,9					

^x homesteads of co-operators included.

It shows that 90% of the agricultural land was in the private sector and that the percentage was even greater in intensive agriculture such as vineyards and orchards. On the contrary pastures were almost evenly divided between the general social and the private sectors. The co-operative sector (including the co-operators homesteads) amounted in 1954 to 3,4% of the agricultural land.

The participation in the national income from agriculture of the private peasants (including this time the homestead of the co-operators) amounted to 291 milliard dinars in 1953 and that of the state farms and collective co-operatives to 20 milliard dinars or 6% of the total.

In 1953 a land reform took place limiting the size of private holdings to 10 hectares of cultivable land and at the same time the collective co-operatives were allowed to disband which reduced their number to one fifth and switched 1 million hectares back to the private sector. Before these two major agricultural operations the last published structure of agricultural holdings was the following one:

Agricultural holdings March 15th 1953

	Number	%	Area (000 ha)	%	Average ha per holding
General social sector holdings	4,771	0,2	732	5,9	153
- of which estates over 500ha	220	0,0	373	3,0	1,700
Collective co-operatives	4,792	0,2	1,731	14,1	360
Homesteads of co-operators (000)	332	14,0	241	2,0	0,73
General co-operatives	6,200	0,2	101	0,8	16,3
Private sector (000)	2,028	85,4	2,433	77,0	4,7
of which 0-3 ha	944	39,8	1,484	12,1	1,6
3-8 ha	791	33,4	3,917	32,9	5,0
8-x ha	293	12,2	3,933	32,0	13,4
Total	2,375	100,0	12,246	100,0	

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...very great share of obligatory saving is spent in fixed investment and national defense ;

3) The income of workers and employees is distributed in such a way that the real wages are higher than the nominal ones which represent not much more than one half of the family income,

4) The peasants income also represents only one half of income in total, coming from their own holding, and the other half from off farm activities, and an ever increasing share from wages and salaries.

This distribution of income is characteristic for an economy in transition, where the division of labour does not correspond to the distribution of income.

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